

Service Date: December 8, 1999

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF ENERGY WEST)	
MONTANA, DIVISION OF ENERGY WEST,)	UTILITY DIVISION
INC., Application for an Increase in Rates for the)	DOCKET NO. D99.10.243
Great Falls Gas System Pursuant to its Gas)	ORDER NO. 6211
Cost Tracking Mechanism)	

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INTERIM ORDER

BACKGROUND

1. On October 25, 1999, Energy West Montana (EWM) filed before the Public Service Commission (PSC or Commission) an application to increase natural gas rates pursuant to EWM's gas cost tracking procedure. In its application EWM proposes an approximately \$2.94 million increase in its natural gas annual revenues. To recover the proposed revenue increase EWM has proposed 6 to 20 percent rate increases among classes of customers, or an overall increase of 15.98 percent.

2. EWM states that the reason for the increases is caused in large part by an under recovery of its gas costs in prior periods. EWM also suggests that warmer than normal weather, a delay in the implementation of the previous rate increase, increased gas commodity prices, and the proposed increase by Montana Power Company for use of its pipeline system contribute to the need for an increase.

3. On November 8, 1999, EWM filed an application for an interim increase in natural gas rates. EWM requests an interim rate increase sufficient to produce approximately \$1.21 million in annual revenues. The interim price (\$2.39 / dk) EWM estimated would be its price to purchase gas for customers who would remain on the EWM system as traditional service customers. EWM's interim proposal amounts to an overall increase of 6.58 percent.

FINDINGS OF FACT

4. In the original application EWM did not request an Interim Order, stating that EWM is concerned with the potential impact that such an adjustment will have on its customers. EWM said it cooperate work with the Commission and interested parties in an effort to ameliorate the impact of these cost increases. EWM further stated that it is negotiating with MPC to reduce the delivery charge for EWM customers.

5. Between October and November, 1999, EWM received complaints from marketers attempting to participate in the open access available in the Great Falls system by identifying the following problems related to EWM's failure to request interim relief.

- A. Both marketers participating on the Great Falls system have offered prices to customers based on a discount from the utility cost of gas.
- B. EWM identified a "look forward" price in August of 1999 of \$2.39 per dk. This is the price the utility estimated would be its price to purchase gas commodity for customers remaining on the utility system as traditional service customers. Marketers used this price as the price they must beat to attract customers.
- C. Marketers assumed the price identified to them as the "posted price" would be effective at the time they were to begin sales to their customer base in Great Falls on November 1, 1999.

6. Marketers are concerned that customer confusion will be created if EWM were to continue to provide traditional service at a commodity rate lower than the price EWM identified as the "posted price" in August of 1999. EWM is also concerned that failure to offer its gas commodity at the "posted price" will generate additional customer confusion.

7. EWM states that one marketer doing business on the EWM system has indicated that it would prefer to withdraw its contracts with consumers rather than be faced with offering a higher bill than being offered to the traditional service class.

8. EWM is requesting that the "look forward" price of \$2.39 per dk, quoted in August of 1999, be approved as the interim price, which will generate \$1,210,183 in annual revenues.

9. The number of customers impacted by this proposed increase by class and proposed change in annual bill are shown below:

Class	Number of Customers	Current Annual Bill	Proposed Annual Bill	Percentage	Increase	Revenue Increase
Residential	21238	\$493	\$533	8.11%	\$ 41	\$861,732.44
Residential DT-New	982	\$299	\$265	-11.37%	\$ (34)	-\$33,878.01
Small General Service	1648	\$976	\$1,051	7.68%	\$ 75	\$123,554.83
SG SERVICE DT -New	76	\$619	\$555	-10.34%	\$ (64)	-\$4,844.79
Large General Service	590	\$6,214	\$6,759	8.77%	\$ 545	\$321,688.66
LGS-DT-New	96	\$3,617	\$3,154	-12.80%	\$ (464)	-\$44,504.56
LGS-DT-Current	34	\$3,617	\$3,243	-10.34%	\$ (374)	-\$12,727.86
Extended General Service	2	\$60,057	\$65,435	8.95%	\$ 5,378	\$10,756.64
EGS-DT-New	8	\$34,441	\$29,868	-13.28%	\$ (4,573)	-\$36,583.52
EGS-DT-Current	12	\$34,441	\$30,749	-10.72%	\$ (3,693)	-\$44,311.71
WY-Residential	264	\$669	\$723	8.07%	\$ 54	\$14,225.33
WY-Commercial	120	\$4,877	\$5,344	9.58%	\$ 466	\$55,978.42
Total	25070					\$1,211,085.87
						\$1,210,183.00
Rounding						-\$902.87

10. The PSC determines that EWM's requested interim rate increase should be approved because it appears, based on the application of EWM, that EWM will likely be able to justify a similar or greater rates increase on a permanent basis in this proceeding and it appears that the interim rate increase will place competitive marketers on a more equal footing with EWM in competing for customers and eliminate customer confusion related to competitive prices.

CONCLUSIONS OF LAW

1. EWM offers regulated natural gas service in the state of Montana and is a public utility under § 69-3-102 MCA.
2. The PSC properly exercises jurisdiction over EWM's Montana operations pursuant to Title 69, Chapter 3, MCA.
3. The rates approved herein are a reasonable means of providing interim relief to EWM.
4. The Commission may approve an increase or decrease in rates on an interim basis, pending a hearing on the merits § 69-3-304 MCA.

ORDER

1. EWM is hereby authorized to increase rates for natural gas service to produce the proposed \$1,210,183 increase in annual revenues.
 2. EWM must file tariffs in compliance with this Order as found in Findings of Fact No. 9.
 3. Interim approval shall not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved for interim purposes.
 4. A public hearing may be held in the future to allow parties the option of pursuing matters of interest to them.
 5. Any refunds required as a result of a Final Order authorizing a rate increase less than the Interim Order shall include interest calculated at EWM's return on equity of 11.5 percent.
 6. Rates which implement the increases approved in this Interim Order will be effective for services on and after December 7, 1999.
- DONE AND DATED at Helena, Montana, this 7th, day of December, 1999, by a vote of 5 – 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.